

meaningful costs. Many different proposals are being discussed. Some would affect the Companies' retiree medical costs, however, many other alternatives would not. There is no justification for selecting one alternative over another in attempting to estimate the effect of SFAS - 106 costs. The lower ultimate health care trend rates (years 2006 and later) do reflect the Companies' optimism that changes will occur in the U.S. that will bring the rate of increase in health care costs under control. At this time, the Companies anticipate that these changes will be within the current health care delivery structure.

11. Since part of the growth in the GNP-PI presumably occurs due to the growth in medical costs, we seek information on what adjustment, if any, should be made in the exogenous adjustment to avoid any double counting

The implementation of SFAS - 106 only changes the financial accounting and reporting practices of OPEB costs by companies. The adoption of SFAS - 106 will not affect the growth in medical costs. Exogenous treatment is being sought for the accounting change, not any anticipated change in medical costs. Therefore, no adjustment to the exogenous cost change is necessary due to the fact that medical costs are a component of the GNP-PI. The only relevant adjustment to the exogenous cost change is the change in the GNP-PI caused by companies increasing their prices for their goods and services due to their implementation of SFAS - 106. That adjustment is the subject of the Godwins study discussed above. In addition, the discount rate of 7.5 percent virtually eliminates the effect of the health care trend rates used in the computation of the SFAS - 106 unfunded liability.

12. Describe and quantify any wage changes which will be reflected in the GNP-PI that are expected to occur as a result of the introduction of SFAS - 106

As noted in the discussion on the Godwins study, the study concludes that an impact of the implementation of SFAS - 106 is a decrease in the overall wage rate level over time from what it would be absent the implementation of SFAS -106. Based on that study, the Companies are only seeking exogenous treatment for 84.8 percent of their incremental expenses for implementing SFAS - 106. They believe this to be a conservative request for recovery given that the 15.2 percent that could be realized through changes in the GNP-P1 and anticipated decreases in wages will not be recognized immediately.

13. Describe and document the macroeconomic model, including the method of estimation, parameter estimates, and summary statistics

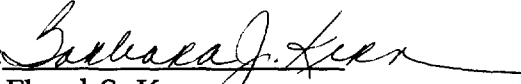
Exhibit 10 provides information which supplements the information provided in the Godwins study regarding the macroeconomic model used in the study.

III. Conclusion

Based on the foregoing, the Commission should grant exogenous treatment for LECs' incremental costs resulting from the implementation of the financial accounting and reporting standards for OPEBs pursuant to SFAS - 106. As demonstrated in this direct case, the implementation of SFAS - 106 meets the Commission's requirements for exogenous treatment of the incremental costs. Moreover, the Companies' calculation of their incremental costs due to SFAS - 106 is based on reasonable and accurate assumptions as well as substantial historical experience. Thus, the Commission also should grant the Companies the authority to adjust their

PCIs effective January 1, 1993, as described in their illustrative tariff attached as Exhibit 1.

Respectfully submitted,

By: 
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Barbara J. Kern

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Date: June 1, 1992

EXHIBIT LIST

| | |
|------------|-------------------------------------------------------|
| Exhibit 1 | Illustrative Tariff |
| Exhibit 2 | Development of Incremental SFAS-106 Costs |
| Exhibit 3 | Subject to Separation and Interstate SFAS-106 Amounts |
| Exhibit 4 | 1993 Rate Base Components and Revenue Requirements |
| Exhibit 5 | SEC Form 10-Ks and Ameritech Annual Report |
| Subpart A | Ameritech Corporation |
| B | Ameritech Corporation Annual Report 1991 |
| C | Illinois Bell Telephone Co. |
| D | Indiana Bell Telephone Co., Inc. |
| E | Michigan Bell Telephone Co. |
| F | The Ohio Bell Telephone Co. |
| G | Wisconsin Bell, Inc. |
| Exhibit 6 | Godwins Study |
| Exhibit 7 | "Pay As You Go" Expense for 1991 and 1992 |
| Exhibit 8 | "Pay As You Go" Amounts in 1990 |
| Exhibit 9 | 1991 Postretirement Medical Valuation Assumptions |
| Exhibit 10 | Response to Paragraph 16 |

ILLUSTRATIVE

TARIFF

DESCRIPTION AND JUSTIFICATION

1. Introduction and Description of Filing

In this tariff filing the Ameritech Operating Companies (AOCs) make appropriate adjustments to the Price Cap Index (PCI) of each interstate service basket to reflect the incremental costs associated with the adoption of the Statement of Financial Accounting Standards (SFAS) No. 106. The tariff filing proposes that the increase in costs due to the implementation of SFAS-106 receive exogenous treatment pursuant to the Price Cap Order¹ and Sections 61.45 through 61.49 of the Commission's Rules. At this time, there is no intention to flow these adjustments through to rates. In their Direct Case, filed June 1, 1992, CC Docket No. 92-101, the AOCs demonstrate that exogenous treatment of these costs would be in the public interest.

The calculations of the exogenous cost amount and the allocation to the price cap service baskets are fully described in Exhibits 2 through 4 of the AOCs' Direct Case. Based on information provided in the Direct Case, the AOCs propose exogenous treatment for only 84.8 percent of the incremental costs due to SFAS-106.

The basis for the PCIs are those proposed in the AOCs' 1992 Annual Filing, Transmittal No. 617, filed April 2, 1992, which have not yet been adjusted for the 75-day GNP-PI in place of the 45-day GDP-PI. The basis for the Actual Price Indices (APIs) and Service Band Indices (SBIs) are those proposed in Transmittal No. 626, filed May 18, 1992. The proposed effective date of the PCI and rate changes is January 1, 1993. The interstate portion of this exogenous change is \$16.9 million (see Direct Case, Exhibit 4, Line 16).

Section 2 describes the calculation of the price cap indices, and demonstrates that the rate revisions are in compliance with the Price Cap rules.

¹ Policy and Rules Concerning Rates for Dominant Carriers, CC Docket 87-313, Report and Order, FCC 900-314, released October 4, 1990, *Price Cap Order*.

2. Computation of Price Cap Indices

In accordance with Section 61.49 of the Commission's Rules, the AOCs have complied with the methodologies specified to calculate adjustments to the PCIs for the four baskets established by the Commission, to calculate upper and lower limits of the SBIs, to calculate the cap for CCL rates, and the requirements for supporting materials sufficient to calculate these adjustments.

Supporting details demonstrating the AOCs' compliance with Section 61.45 to reflect any mid-year exogenous cost changes on the PCIs for each basket are displayed in the Direct Case (Exhibits 2 through 4). Exhibit A, attached to this tariff filing, displays the PCI calculations for each basket.

The AOCs computed the cap for CCL rates pursuant to the methodology described in Section 61.46. The Common Line basket PCI and the cap for CCL rates were not adjusted due to changes in NECA support payments that may result as other LECs flow this exogenous change to CCL rates. When changes in NECA support payments are determined, the Common Line indices will be adjusted. Applying the formulas prescribed by Section 61.47, the AOCs computed the upper and lower limits for all service bands. The *Tariff Review Plan (TRP)*, attached as Exhibit B, contains the information on the indices and the exogenous change amounts for each basket.

Base Period demand for 1991 (used in the 1992 Annual Filing) times the July 1, 1992 rates (proposed in the 1992 Annual Filing) determines the "R" value for each basket's PCI calculation. The "delta Z" (exogenous cost change) amount is each basket's share of the total incremental cost due to SFAS-106. These values are displayed on Exhibit 4 (Line 16) of the Direct Case.

PROPOSED PCIs
WITH
SFAS – 106 EXOGENOUS CHANGE

| | Common Line <u>Basket</u> |
|-------------------------|---------------------------------|
| Existing PCI (7/1/92) | 91.1088 |
| GNP–PI | N/A |
| Productivity Factor (X) | N/A |
| Delta Z | 7,101,000 |
| R(t– 1) | 969,515,535 |
| Growth in Min./Line (G) | N/A |
| Proposed PCI (1/1/93) | 91.7761 |

**PROPOSED PCIs
WITH
SFAS – 106 EXOGENOUS CHANGE**

| | Traffic Sensitive <u>Basket</u> |
|------------------------------|---------------------------------------|
| Existing PCI (7/1/92) | 95.1759 |
| GNP–PI | N/A |
| Productivity Factor (X) | N/A |
| Delta Z | 7,088,000 |
| R(t–1) | 855,986,902 |
| Growth in Min./Line (G) | N/A |
| Proposed PCI (1/1/93) | 95.9640 |

PROPOSED PCIs
WITH
SFAS – 106 EXOGENOUS CHANGE

Special
Access
Basket

| | |
|-------------------------|-------------|
| Existing PCI (7/1/92) | 97.0046 |
| GNP–PI | N/A |
| Productivity Factor (X) | N/A |
| Delta Z | 2,512,000 |
| R(t–1) | 322,579,352 |
| Growth in Min./Line (G) | N/A |
| Proposed PCI (1/1/93) | 97.7600 |

**PROPOSED PCIs
WITH
SFAS – 106 EXOGENOUS CHANGE**

| | Interexchange <u>Basket</u> |
|----------------------------------|--------------------------------|
| Existing PCI (7/1/92) | 86.8268 |
| GNP–PI | N/A |
| Productivity Factor (X) | N/A |
| Delta Z | 192,000 |
| R(t– 1) | 66,637,015 |
| Growth in Min./Line (G) | N/A |
| Proposed PCI (1/1/93) | 87.0770 |

EXHIBIT B

TARIFF REVIEW PLAN (TRP)

AMERITECH (AMTR)

SFAS - 106 Filing
Price Cap Tariff Review Plan
Indices

| | PROPOSED PCI | PROPOSED API | PROPOSED SBI | UPPER SBI LIMIT | LOWER SBI LIMIT | EXISTING PCI | EXISTING API | EXISTING SBI | 6/30/92 PCI | 6/30/92 SBI |
|------------------------------------------------|-----------------|-----------------|-----------------|-----------------------|-----------------------|-----------------|-----------------|-----------------|----------------|----------------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) |
| <u>Common Line Basket</u> | | | | | | | | | | |
| 100 Total Common Line | 91.7761 | N/A | N/A | N/A | N/A | 91.1088 | N/A | N/A | 95.1662 | N/A |
| <u>Traffic Sensitive Basket</u> | | | | | | | | | | |
| 110 Local Switching | N/A | N/A | 96.3604 | 105.4425 | 95.4003 | N/A | N/A | 96.3604 | N/A | 101.7458 |
| 120 Local Transport | N/A | N/A | 93.3590 | 96.7509 | 87.5365 | N/A | N/A | 93.3590 | N/A | 93.3590 |
| 130 Information | N/A | N/A | 98.6198 | 102.2029 | 92.4693 | N/A | N/A | 98.6198 | N/A | 98.6198 |
| 140 Total Switched Access | 95.9640 | 94.7879 | N/A | N/A | N/A | 95.1759 | 94.7879 | N/A | 97.2297 | N/A |
| <u>Special Access Basket</u> | | | | | | | | | | |
| 150 Voicegrade, Wats, Metallic, & Telegraph | N/A | N/A | 104.8579 | 107.8806 | 97.6063 | N/A | N/A | 104.8579 | N/A | 104.8579 |
| 160 Audio & Video | N/A | N/A | 102.3132 | 105.2625 | 95.2375 | N/A | N/A | 102.3132 | N/A | 102.3132 |
| 170 High Caps & DDS | N/A | N/A | 89.7038 | 94.1155 | 85.1521 | N/A | N/A | 89.7038 | N/A | 91.4785 |
| 180 DS-1 SUB-CAT | N/A | N/A | 88.0240 | 92.7496 | 83.9163 | N/A | N/A | 88.0240 | N/A | 90.1509 |
| 190 DS-3 SUB-CAT | N/A | N/A | 89.8827 | 94.2957 | 85.3151 | N/A | N/A | 89.8827 | N/A | 91.6536 |
| 200 Wideband | N/A | N/A | 0.0000 | 0.0000 | 0.0000 | N/A | N/A | 0.0000 | N/A | 0.0000 |
| 210 Total Special Access | 97.7600 | 96.3069 | N/A | N/A | N/A | 97.0046 | 96.3069 | N/A | 99.7719 | N/A |
| <u>Interexchange Basket</u> | | | | | | | | | | |
| 220 Total Interexchange | 87.0770 | 82.5140 | N/A | N/A | N/A | 86.8268 | 82.5140 | N/A | 100.1535 | N/A |

- NOTES: (1) Display indexes as percents to four decimal places
(e.g., display 100% as 100.0000).
(2) For the annual access filing, column (I) will equal column (F) and
column (J) will equal column (H).

AMERITECH (AMTR)

SFAS - 106 Filing
Price Cap Tariff Review Plan
PCI COMPONENTS
(Factors Displayed As Percent)

| | COMMON LINE BASKET | TRAFFIC SENSITIVE BASKET | SPECIAL ACCESS BASKET | INTER- EXCHANGE BASKET |
|------------------------------------------|--------------------------|--------------------------------|-----------------------------|------------------------------|
| | (A) | (B) | (C) | (D) |
| 100 GNP-PI | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 110 Productivity Factor (X) | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 120 GNP-PI - X | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 130 Y(t-1) | N/A | N/A | N/A | 0 |
| 140 Delta Y | N/A | N/A | N/A | 0 |
| 150 Delta Z | 7,101,000 | 7,088,000 | 2,512,000 | 192,000 |
| 160 R(t-1) | 969,515,535 | 855,986,902 | 322,579,352 | 66,637,015 |
| 170 Delta Y/R | N/A | N/A | N/A | 0.0000 |
| 180 Delta Z/R | 0.7324 | 0.8281 | 0.7787 | 0.2881 |
| 190 W | 100.7324 | 100.8281 | 100.7787 | 100.2881 |
| 200 W*(GNP-PI - X) | N/A | 0.0000 | 0.0000 | 0.0000 |
| 210 Growth in Min./Line (G) | 0.0000 | N/A | N/A | N/A |
| 220 W*(GNP-PI - X - (G/2)) / (1 + (G/2)) | 0.0000 | N/A | N/A | N/A |
| 230 Existing PCI | 91.1088 | 95.1759 | 97.0046 | 86.8268 |
| 240 Proposed PCI | 91.7761 | 95.9640 | 97.7600 | 87.0770 |

NOTES: (1) Display indexes and factors as percent to four decimal places
(e.g., display 100% as 100.0000).
(2) Display revenues as whole numbers.
(3) Rows 130 and 160 are computed by multiplying base period quantities by
the corresponding rates at the last time the PCI was updated.

AMERITECH (AMTR)

SFAS - 106 Filing
Price Cap Tariff Review Plan
Price Out Summary

| | BASE PERIOD DEMAND X RATES AT LAST PCI UPDATE | BASE PERIOD DEMAND X CURRENT RATES | BASE PERIOD DEMAND X PROPOSED RATES | BASE PER DMD X CURR RATES MINUS BASE PER DMD X RATES AT LAST PCI UPDATE | BASE PER DMD X PROP RATES MINUS BASE PER DMD X CURRENT RATES |
|------------------------------------------------|--------------------------------------------------------|------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| | (A) | (B) | (C) | (D) = (B) - (A) | (E) = (C) - (B) |
| Common Line Basket | | | | | |
| ----- | | | | | |
| 100 End User Common Line | 670,506,341 | 670,506,341 | 670,506,341 | 0 | 0 |
| 110 Carrier Common Line | 299,009,194 | 299,009,194 | 299,009,194 | 0 | 0 |
| 120 Total Common Line | 969,515,535 | 969,515,535 | 969,515,535 | 0 | 0 |
| Traffic Sensitive Basket | | | | | |
| ----- | | | | | |
| 130 Local Switching | 329,492,065 | 329,492,065 | 329,492,065 | 0 | 0 |
| 140 Local Transport | 482,471,492 | 482,471,492 | 482,471,492 | 0 | 0 |
| 150 Information | 44,023,345 | 44,023,345 | 44,023,345 | 0 | 0 |
| 160 Total Switched Access | 855,986,902 | 855,986,902 | 855,986,902 | 0 | 0 |
| Special Access Basket | | | | | |
| ----- | | | | | |
| 170 Voicegrade, Wats, Metallic, & Telegraph | 105,854,300 | 105,854,300 | 105,854,300 | 0 | 0 |
| 180 Audio & Video | 4,595,031 | 4,595,031 | 4,595,031 | 0 | 0 |
| 190 High Caps & DDS | 212,130,021 | 211,635,048 | 211,635,048 | (494,973) | 0 |
| 200 Wideband | 0 | 0 | 0 | 0 | 0 |
| 210 Total Special Access | 322,579,352 | 322,084,379 | 322,084,379 | (494,973) | 0 |
| Interexchange Basket | | | | | |
| ----- | | | | | |
| 220 Total Interexchange | 66,637,015 | 66,637,015 | 66,637,015 | 0 | 0 |

NOTE: Display whole numbers.

AMERITECH (AMTR)

SFAS - 106 Filing
COMMON LINE
Exogenous Cost Changes

| | SPF TRANSITION | DEM TRANSITION | LTS/TRS | INSIDE WIRE | RESERVE DEFICIENCY AMORTIZATIONS | EXCESS DEFERRED TAXES | ITC AMORTIZATION | SHARING/ LOW END ADJUSTMENTS | OTHER | TOTAL |
|-------------------------------------|-------------------|-------------------|---------|----------------|----------------------------------------|-----------------------------|---------------------|------------------------------------|-------------|-----------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) |
| REVENUE EFFECT | | | | | | | | | | |
| 100 Depreciation Expense | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 75,000 | N/A |
| 110 Expense less Depreciation | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 7,376,000 | N/A |
| 120 Taxes less F.I.T. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 53,000 | N/A |
| 130 Net Return | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (266,000) | N/A |
| 140 F.I.T. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (137,000) | N/A |
| 150 Uncollectible Rev. & Other Adj. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 0 | N/A |
| 160 Revenue Effects | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,101,000 | 7,101,000 |
| RATE BASE | | | | | | | | | | |
| 170 Total Plant in Service | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 1,246,000 | N/A |
| 180 Other Rate Base Items | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (4,937,000) | N/A |
| 190 Depreciation Reserve | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 37,000 | N/A |
| 200 Accum. Deferred Inc. Tax | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (1,364,000) | N/A |
| 210 Net Rate Base | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (2,364,000) | N/A |

NOTE: (1) Total may not equal sum of changes due to interactive effects.

(2) Display whole numbers

AMERITECH (AMTR)

SFAS - 106 Filing
TRAFFIC SENSITIVE
Exogenous Cost Changes

| | SPF TRANSITION | DEM TRANSITION | LTS/TRS | INSIDE WIRE | RESERVE DEFICIENCY AMORTIZATIONS | EXCESS DEFERRED TAXES | ITC AMORTIZATIO | SHARING/ LOW END ADJUSTMENTS | OTHER | TOTAL |
|-------------------------------------|-------------------|-------------------|---------|----------------|----------------------------------------|-----------------------------|--------------------|------------------------------------|-------------|-----------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) |
| REVENUE EFFECT | | | | | | | | | | |
| 300 Depreciation Expense | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 100,000 | N/A |
| 310 Expense less Depreciation | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 7,337,000 | N/A |
| 320 Taxes less F.I.T. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 53,000 | N/A |
| 330 Net Return | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (265,000) | N/A |
| 340 F.I.T. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (137,000) | N/A |
| 350 Uncollectible Rev. & Other Adj. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 0 | N/A |
| 360 Revenue Effects | 0 | 0 | N/A | 0 | 0 | 0 | 0 | 0 | 7,088,000 | 7,088,000 |
| RATE BASE | | | | | | | | | | |
| 370 Total Plant in Service | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 1,185,000 | N/A |
| 380 Other Rate Base Items | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (4,853,000) | N/A |
| 390 Depreciation Reserve | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 50,000 | N/A |
| 400 Accum. Deferred Inc. Tax | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (1,360,000) | N/A |
| 410 Net Rate Base | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (2,358,000) | N/A |

NOTE: (1) Total may not equal sum of changes due to interactive effects.
(2) Display whole numbers

AMERITECH (AMTR)

SFAS - 106 Filing
SPECIAL ACCESS
Exogenous Cost Changes

| | SPF TRANSITION | DEM TRANSITION | LTS/TRS | INSIDE WIRE | RESERVE DEFICIENCY AMORTIZATIONS | EXCESS DEFERRED TAXES | ITC AMORTIZATIO | SHARING/ LOW END ADJUSTMENTS | OTHER | TOTAL |
|-------------------------------------|-------------------|-------------------|---------|----------------|----------------------------------------|-----------------------------|--------------------|------------------------------------|-------------|-----------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) |
| REVENUE EFFECT | | | | | | | | | | |
| 500 Depreciation Expense | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 31,000 | N/A |
| 510 Expense less Depreciation | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 2,604,000 | N/A |
| 520 Taxes less F.I.T. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 19,000 | N/A |
| 530 Net Return | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (94,000) | N/A |
| 540 F.I.T. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (48,000) | N/A |
| 550 Uncollectible Rev. & Other Adj. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 0 | N/A |
| 560 Revenue Effects | 0 | 0 | N/A | 0 | 0 | 0 | 0 | 0 | 2,512,000 | 2,512,000 |
| RATE BASE | | | | | | | | | | |
| 570 Total Plant in Service | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 395,000 | N/A |
| 580 Other Rate Base Items | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (1,697,000) | N/A |
| 590 Depreciation Reserve | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 16,000 | N/A |
| 600 Accum. Deferred Inc. Tax | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (483,000) | N/A |
| 610 Net Rate Base | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (835,000) | N/A |

NOTE: (1) Total may not equal sum of changes due to interactive effects.
(2) Display whole numbers

AMERITECH (AMTR)

SFAS - 106 Filing
INTEREXCHANGE
Exogenous Cost Changes

| | SPF TRANSITION | DEM TRANSITION | LTS/TRS | INSIDE WIRE | RESERVE DEFICIENCY AMORTIZATIONS | EXCESS DEFERRED TAXES | ITC AMORTIZATION | SHARING/ LOW END ADJUSTMENTS | OTHER | TOTAL |
|-------------------------------------|-------------------|-------------------|---------|----------------|----------------------------------------|-----------------------------|---------------------|------------------------------------|-----------|---------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) |
| REVENUE EFFECT | | | | | | | | | | |
| 700 Depreciation Expense | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 0 | N/A |
| 710 Expense less Depreciation | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 200,000 | N/A |
| 720 Taxes less F.I.T. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 2,000 | N/A |
| 730 Net Return | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (7,000) | N/A |
| 740 F.I.T. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (3,000) | N/A |
| 750 Uncollectible Rev. & Other Adj. | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 0 | N/A |
| 760 Revenue Effects | 0 | 0 | N/A | 0 | 0 | 0 | 0 | 0 | 192,000 | 192,000 |
| RATE BASE | | | | | | | | | | |
| 770 Total Plant in Service | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 2,000 | N/A |
| 780 Other Rate Base Items | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (102,000) | N/A |
| 790 Depreciation Reserve | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | 0 | N/A |
| 800 Accum. Deferred Inc. Tax | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (36,000) | N/A |
| 810 Net Rate Base | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | (64,000) | N/A |

NOTE: (1) Total may not equal sum of changes due to interactive effects.
(2) Display whole numbers

AMERITECH (AMTR)

SFAS - 106 Filing
Price Cap Tariff Review Plan
Common Line Basket

| | BASE PERIOD DEMAND | RATES AT LAST PCI UPDATE | CURRENT RATES | PROPOSED RATES | BASE PERIOD DEMAND X RATES AT LAST PCI UPDATE | BASE PERIOD DEMAND X CURRENT RATES | BASE PERIOD DEMAND X PROPOSED RATES | INDEX RESULTS |
|------------------------------------|--------------------------|--------------------------------|------------------|-------------------|--------------------------------------------------------|------------------------------------------|-------------------------------------------|------------------|
| End User Common Line | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
| 100 Multiline Business EUCL (1) | 48,474,672 | 3.83089829 | 3.83089829 | 3.83089829 | 185,701,538 | 185,701,538 | 185,701,538 | N/A |
| 110 Res & Single line Bus EUCL (1) | 139,087,616 | 3.44106402 | 3.44106402 | 3.44106402 | 478,609,391 | 478,609,391 | 478,609,391 | N/A |
| 120 Lifeline | 1,425,932 | 3.50 | 3.50 | 3.50 | 4,990,762 | 4,990,762 | 4,990,762 | N/A |
| 130 Special Access Surcharge | 48,186 | 25.00 | 25.00 | 25.00 | 1,204,650 | 1,204,650 | 1,204,650 | N/A |
| Carrier Common Line | | | | | | | | |
| 140 Terminating CCL Prem. | 19,894,006,218 | 0.00857300 | 0.00857300 | 0.00857300 | 170,551,315 | 170,551,315 | 170,551,315 | N/A |
| 150 Terminating CCL Non-Prem. | 84,463,691 | 0.00385800 | 0.00385800 | 0.00385800 | 325,861 | 325,861 | 325,861 | N/A |
| 160 Originating CCL Prem. | 14,930,906,839 | 0.00857300 | 0.00857300 | 0.00857300 | 128,002,664 | 128,002,664 | 128,002,664 | N/A |
| 170 Originating CCL Non-Prem. | 33,529,015 | 0.00385797 | 0.00385797 | 0.00385800 | 129,354 | 129,354 | 129,354 | N/A |
| 180 Total Basket | N/A | N/A | N/A | N/A | 969,515,535 | 969,515,535 | 969,515,535 | N/A |

NOTE: (1) May be composite rate.
(2) Display indexes as percents to four decimal places
(e.g., display 100% as 100.0000).
(3) Display revenues and demands as whole numbers.

AMERITECH (AMTR)

SFAS - 106 Filing
Price Cap Tariff Review Plan
Traffic Sensitive Basket

| | BASE PERIOD DEMAND | RATES AT LAST PCI UPDATE | CURRENT RATES | PROPOSED RATES | BASE PERIOD DEMAND X RATES AT LAST PCI UPDATE | BASE PERIOD DEMAND X CURRENT RATES | BASE PERIOD DEMAND X PROPOSED RATES | INDEX RESULTS |
|---------------------------------------|--------------------------|--------------------------------|------------------|-------------------|--------------------------------------------------------|------------------------------------------|-------------------------------------------|------------------|
| Local Switching Service Category | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
| 200 Premium Switching LS1 FG | 5,927,902,928 | 0.00922400 | 0.00922400 | 0.00922400 | 54,678,977 | 54,678,977 | 54,678,977 | N/A |
| 210 Premium Switching LS2 FG | 29,546,918,165 | 0.00927000 | 0.00927000 | 0.00927000 | 273,899,931 | 273,899,931 | 273,899,931 | N/A |
| 220 Non-Premium Switching FG | 117,988,161 | 0.00417200 | 0.00417200 | 0.00417200 | 492,247 | 492,247 | 492,247 | N/A |
| 230 Premium Switching LS1 BSA | 0 | 0.00847800 | 0.00847800 | 0.00847800 | 0 | 0 | 0 | N/A |
| 240 Premium Switching LS2 BSA | 0 | 0.00852100 | 0.00852100 | 0.00852100 | 0 | 0 | 0 | N/A |
| 250 Non-Premium Switching BSA | 0 | 0.00383400 | 0.00383400 | 0.00383400 | 0 | 0 | 0 | N/A |
| 260 Premium Switching LS1 FG - Recast | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 270 Premium Switching LS2 FG - Recast | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 280 Non-Premium Switching FG - Recast | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 290 Equal Access | 3,231,152 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 300 Other ONA | N/A | N/A | N/A | N/A | 0 | 0 | 0 | N/A |
| 310 Other ONA - Recast FG | N/A | N/A | N/A | N/A | 0 | 0 | 0 | N/A |
| 320 Other Switching | N/A | N/A | N/A | N/A | 420,910 | 420,910 | 420,910 | N/A |
| 330 Total Service Category | N/A | N/A | N/A | N/A | 329,492,065 | 329,492,065 | 329,492,065 | N/A |
| 340 SBI | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 96.3604 |
| 350 Upper SBI Limit | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 105.4425 |
| 360 Lower SBI Limit | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 95.4003 |
| Local Transport Service Category | | | | | | | | |
| Premium Local Transport: | | | | | | | | |
| 370 Local Trans - MB1 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 380 Local Trans - MB2 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 390 Local Trans - MB3 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 400 Local Trans - MB4 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 410 Local Trans - MB5 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 420 Local Trans - MB6 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 430 Local Trans - MB7 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 440 Local Trans - MB8 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 450 Local Trans - MB9 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 460 Local Trans - MB10 | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 470 MMUC Per Line or Trunk | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 480 Termination | 38,147,602,788 | 0.00988500 | 0.00988500 | 0.00988500 | 377,089,054 | 377,089,054 | 377,089,054 | N/A |
| 490 Facility | 522,295,189,380 | 0.00016200 | 0.00016200 | 0.00016200 | 84,611,821 | 84,611,821 | 84,611,821 | N/A |

[illegible]

AMERITECH (AMTR)

SFAS - 106 Filing
Price Cap Tariff Review Plan
Special Access Basket

| | BASE PERIOD DEMAND | RATES AT LAST PCI UPDATE | CURRENT RATES | PROPOSED RATES | BASE PERIOD DEMAND X RATES AT LAST PCI UPDATE | BASE PERIOD DEMAND X CURRENT RATES | BASE PERIOD DEMAND X PROPOSED RATES | INDEX RESULTS |
|-----------------------------------------------------------|--------------------------|--------------------------------|------------------|-------------------|--------------------------------------------------------|------------------------------------------|-------------------------------------------|------------------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
| Voice Grade, Wats, Metallic Telegraph Service Category | | | | | | | | |
| Voice Grade & Wats: | | | | | | | | |
| 900 Chan Term - 2 Wire | 703,787 | 24.55000000 | 24.55000000 | 24.55000000 | 17,277,971 | 17,277,971 | 17,277,971 | N/A |
| 910 Chan Term - 4 Wire | 1,157,156 | 39.84000000 | 39.84000000 | 39.84000000 | 46,101,096 | 46,101,096 | 46,101,096 | N/A |
| Inter-office Mileage: | | | | | | | | |
| 920 Voice grade - MB1 FIXED | 883,599 | 14.27000000 | 14.27000000 | 14.27000000 | 12,608,958 | 12,608,958 | 12,608,958 | N/A |
| 930 Voice grade - MB1 VAR | 6,704,259 | 1.11000000 | 1.11000000 | 1.11000000 | 7,441,727 | 7,441,727 | 7,441,727 | N/A |
| 940 Voice grade - MB2 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 950 Voice grade - MB2 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 960 Voice grade - MB3 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 970 Voice grade - MB3 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 980 Voice grade - MB4 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 990 Voice grade - MB4 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1000 Voice grade - MB5 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1010 Voice grade - MB5 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1020 Voice grade - MB6 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1030 Voice grade - MB6 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1040 Voice grade - MB7 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1050 Voice grade - MB7 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1060 Voice grade - MB8 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1070 Voice grade - MB8 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1080 Voice grade - MB9 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1090 Voice grade - MB9 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1100 Voice grade - MB10 FIXED | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1110 Voice grade - MB10 VAR | 0 | 0.00000000 | 0.00000000 | 0.00000000 | 0 | 0 | 0 | N/A |
| 1120 OTHER VOICE GRADE FIXED | N/A | N/A | N/A | N/A | 21,685,157 | 21,685,157 | 21,685,157 | N/A |

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